

Message Text

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ACTION EUR-12

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INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
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FM AMCONSUL MONTREAL
TO SECSTATE WASHDC PRIORITY 8452
INFO AMEMBASSY OTTAWA
AMCONSUL QUEBEC

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E. O. 11652: N/A
TAGS: ECON, ETRD, CA
SUBJ: MONTREAL LOSING CONVENTION BUSINESS DUE CHANGE IN U. S.
TAX REGULATIONS

1. MONTREAL PRESS HAS GIVEN PROMINANT COVERAGE LAST TWO DAYS TO REPORTS THAT CONVENTIONS BEING CANCELLED AS RESULT OF CHANGES IN U.S. INCOME TAX REGULATIONS LIMITING DEDUCTIONS ARE CAUSING LARGE LOSSES IN POTENTIAL REVENUE FOR MONTREAL. SPOKESMAN FOR CONVENTION BUREAU STATED THAT AT LEAST TWENTY MAJOR CONVENTIONS BOOKED INTO MONTREAL HOTELS HAVE BEEN CANCELLED. HE ESTIMATED THAT CANCELLATIONS WILL COST HOTELS ABOUT \$8 MILLION, WITH LOSSES TO CITY (RESTAURANTS, STORES) EVEN HIGHER. BIGGEST BLOW WAS CANCELLATION OF CONVENTION OF MORTGAGE BANKERS ASSOCIATION OF AMERICA, SCHEDULED FOR OCTOBER 1979, WITH LOSS IN REVENUES FOR MONTREAL ESTIMATED AT \$2 MILLION. SPOKESMAN FOR HOTEL AND TOURIST INDUSTRY IN MONTREAL SAID THAT GOVERNMENTAL ASSISTANCE WAS NECESSARY TO OFFSET EFFECTS OF NEW TAX REGULATIONS. HE SAID THAT HOTEL INDUSTRY HAD KNOWN WELL IN ADVANCE OF PROPOSED CHANGES, BUT HAD ASSUMED THAT CANADA AND MEXICO WOULD BE EXEMPTED FROM U.S.

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RESTRICTIONS.

2. FRED LAUBI, GENERAL MANAGER OF THE RITZ-CARLTON HOTEL AND IMMEDIATE PAST PRESIDENT OF THE MONTREAL HOTEL ASSN., TOLD US THAT AT THE BOARD (OF THE ASSN.) MEETING ON JANUARY 6 AT LEAST TWO HOURS WERE SPENT ON THIS TOPIC -- GLUMLY. HE SAID THAT OF 19 MAJOR (UNDERScoreD) CONVENTIONS BETWEEN

NOW AND 1980, THEY HAD RECEIVED CANCELLATIONS IN WRITING FOR 13 WITHIN THE PAST THREE WEEKS, EACH ATTRIBUTING THE CANCELLATION TO THE NEW TAX PROVISIONS. HE AVERRED THERE IS LITTLE FLEXIBILITY FOR CUTTING RATES AN AN INCENTIVE "BECAUSE ON A PER ROOM BASIS, HOTEL HERE (IN QUEBEC) ARE TAXED 20 TO 50 PERCENT MORE THAN HOTEL ROOMS IN ANY OTHER MAJOR CITY IN NORTH AMERICA." (HE IS SENDING US A CONFIDENTIAL STUDY ON THIS TOPIC.) NONETHELESS, THE ASSN. HOPES TO HAVE A PLATE OF RECOMMENDATIONS READY FOR THE NEW QUEBEC MINISTER OF TOURISM BY THEIR ANNUAL MEETING ON JANUARY 27.

3. LAUBI ALSO NOTED THAT MESSRS. FLETCHER AND POWELL OF THE CANADIAN TOURIST BUREAU'S WASHINGTON OFFICE WILL BE IN TOWN IN ABOUT A WEEK TO TALK TO ASSN. MEMBERS AND OTHER MEMBERS OF THE CHAMBER OF COMMERCE. HE INDICATED THEY ARE OPTIMISTIC ABOUT A CHANGE IN THE LAW, EXEMPTING CANADA AND MEXICO -- OR AT LEAST AMELIORATING SOME OF THE "HARSHER" ASPECTS THEREOF -- "BY JUNE." HE DID NOT KNOW THE SOURCE OF SUCH ASSURANCE.

4. COMMENT: WHILE CHANGE IN U.S. TAX LEGISLATION WILL EXACERBATE SITUATION, MONTREAL'S TOURIST TRADE HAS BEEN SUFFERING FOR SOME TIME, PRIMARILY AS A RESULT OF HIGH PRICES. FORMERLY THE MAJOR CONVENTION CENTER IN CANADA, MONTREAL HAS NOW FALLEN TO THIRD PLACE, WELL BELOW TORONTO AND VANCOUVER. RECENT SURVEY SHOW THAT MONTREAL CONTINUES TO HAVE HIGHEST AVERAGE HOTEL ROOM RATES IN CANADA. ONE LOCAL HOTEL MANAGER SUGGESTED TO PRESS THAT HOTEL INDUSTRY WAS TRYING TO BLAME ITS PROBLEMS ON U.S. TAX LEGISLATION LIMITED OFFICIAL USE

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WHEN WHAT THEY REALLY NEEDED WAS NEW RATE STRUCTURE, WITH SOME TAX RELIEF FROM GOVERNMENT, AND GREATER INITIATIVE TO ATTRACT TOURISM TO MONTREAL.
HARPER

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Sent Date: 06-Jan-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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